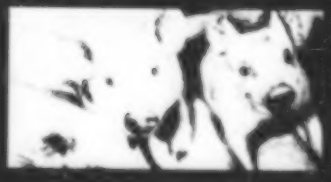
2000 ANNUAL REPORT



SASKATCHEWAN GOVERNMENT
GROWTH FUND II LTD.

SGGF II

Creating economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

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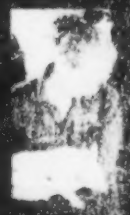
Prairie Sulphate Corporation

Clearwater Forest Products Inc.

101-04169/

FUND PROFILE

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors' qualification as Canadian permanent residents under the Immigrant Investor Program.



Upton Resources Inc.

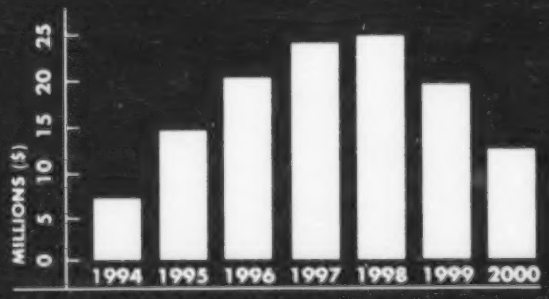
Big Sky Farms Inc.

Prairie Sulphide Corporation

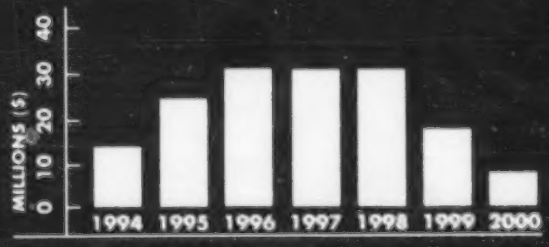
FINANCIAL RESULTS

SGGF II ended the year with an accumulated deficit of $5.8 million. In late 2000, liquidity problems in the investment portfolio forced the fund to reduce repayments to some investors and eventually suspend all others. It is not known with certainty whether the remaining investments will produce enough value to repay all investors in full.

- Investment income in 2000 was $1.4 million, an increase of $700,000 from 1999.
- During a marketing period that began in 1993, SGGF II raised $31.5 million from 126 investors.
- Since inception, over $35 million of investment, including reinvestment, has been made in 17 eligible businesses.



INVESTMENTS OUTSTANDING



OBLIGATIONS TO INVESTORS

BOARD OF DIRECTORS AND OFFICERS

Gary Benson
President

Wilson Olive
Chair

Darrel Cunningham
Director

Gerald Edwards
Director

Joanne Forer
Director

Gordon Mertler
Director

Keith Rissling
Director

Grant Scharfstein
Director

Upton Resources Inc.

Big Sky Farms Inc.

MESSAGE TO INVESTORS

By now each of you will have received the confidential circular entitled "Information Update for Holders of Bonds Issued by Saskatchewan Government Growth Fund II Ltd" dated March 19, 2001. That circular, together with this Annual Report, should give you a reasonable appreciation of the state of affairs of the Fund.

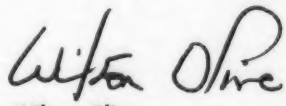
As of March 31, 2001, all the Bonds of SGGF II have matured. No payments have been made to bondholders since December of 2000.

While we recognize investors would like to receive as much money as soon as possible, we are also of the view that by being patient we will be able to pay the greatest amount to each person. Given the illiquidity and poor financial condition of many of the investments in the portfolio, if we dispose of the portfolio quickly we will realize far less. We continue to look at options to our present strategy of trying to maximize what we can get from the investments. You can expect to hear further from us in the near future.

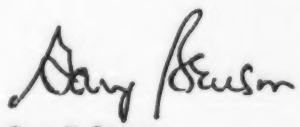
On October 1, 2000 SGGF II and the Saskatchewan Government Growth Fund Management Corporation ("SGGFMC") entered into a contract with Crown Capital Partners Inc. ("CCP"), a wholly-owned subsidiary of Crown Life Insurance Company Inc., to provide administrative and investment management services to the Fund and SGGFMC.

Under this arrangement all of the employees of SGGFMC became employees of CCP or Crown Life. Together with employees of Crown Life, CCP is able to provide more resources and additional investment expertise.

In conducting its business during the year 2000, the Board of Directors held 11 meetings in person and 14 by teleconference. In December, John Johns and Alphonse Pasloske retired at the end of their three year terms. We thank them for their years of dedicated service. Darryl Cunningham, Grant Scharfstein and Wilson Olive joined the Board at the end of 2000. Mr. Olive was elected Chairperson in December.



Wilson Olive
Chair



Gary K. Benson
President

The following are company profiles of investments held during 2000, including the approved level of investment and a brief description of their operations.

INVESTMENT PROFILES

Big Sky Farms Inc.

$1,750,000 Loans and common shares

Big Sky Farms operates a number of farrow to finish hog operations in Saskatchewan. These operations are among the largest hog production facilities in the province. The company is currently expanding to other areas of Saskatchewan.

Clearwater Forest Products Inc.

$4,546,445 Partnership units and loans

Clearwater Forest Products Inc., previously Pro-Forest Salvage Group Limited Partnership, salvages fire-damaged timber throughout the Saskatchewan forest. The sawmill is located in Meadow Lake, Saskatchewan. SGGF wrote off its equity position during the year.

General Environmental Inc.

$300,000 Loan

This loan was made to a company associated with Wolverine Resources Inc. (described on following page).

Lateral Vector Resources Inc.

$1,225,000 Common shares

Lateral Vector is a publicly traded (Toronto Stock Exchange) Saskatchewan-based oil company headquartered in Regina. The company's primary emphasis is on international projects. During the year SGGF wrote off its investment in the company.

Points North Digital Technologies Inc.

$811,582 Common shares and loan

Points North Digital, located in Saskatoon, Saskatchewan, is a travel technologies company involved in travel information systems development. In addition, its assets include Canada's third largest retail travel agency network. The company's shares trade on the Canadian Venture Exchange. Points North repaid its loan during the year and SGGF sold all its common shares.

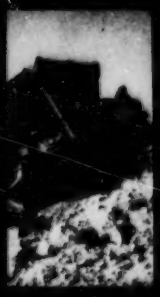
Big Sky Farms Inc.

Big Sky Farms Inc.

Clearwater Forest Products Inc.

Clearwater Forest Products Inc.

Prairie Sulphate Corporation



Upton Resources Inc.

Upton Resources Inc.

Prairie Sulphate Corporation
(formerly PSC Alsask Inc.)
$2,949,611 Loans and common shares

Prairie Sulphate Corporation is located at Alsask, Saskatchewan. The company manufactures potassium sulphate fertilizer, a specialty product used in the care of chloride sensitive plants such as citrus trees, tobacco, and golf course greens.

Rocky View Lodge Inc.
$844,400 Loans

Rocky View is located at Denare Beach, Saskatchewan. The company constructed and operates a tourism facility specializing in offering eco-tourism experiences to its visitors.

Upton Resources Inc.
$5,502,197 Loan and common shares

Upton Resources Inc., a publicly traded (Toronto Stock Exchange) company is engaged in the exploration for and development of crude oil producing properties primarily through the process of horizontal drilling. The company repaid its loan in full during the year.

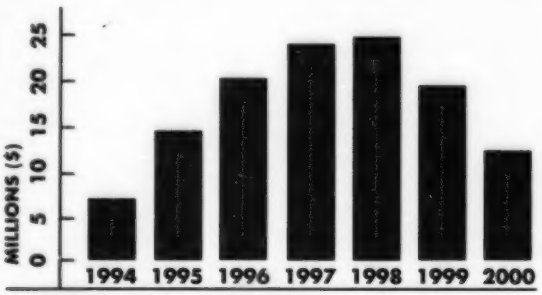
Wolverine Resources Inc.
$5,855,841 Loans and common shares

Wolverine Resources is located in Humboldt, Saskatchewan. The business collects and recycles used oil into a refined product that is sold for use in value added applications.

MANAGEMENT DISCUSSION AND ANALYSIS

SGGF II ended the year with an accumulated deficit of $5.8 million, an increase of $4.9 million from 1999. The increase is due entirely to provisions for losses on investments. During the year $5.1 million of investments and costs were written off.

Management continued its extensive monthly cash flow monitoring exercise in order to identify any timing differences between the planned liquidation of investments and scheduled investor repayments. Full repayment of obligations at maturity continued through July. In August this monitoring identified delays in liquidating investments that would impact upon SGGF II's ability to continue full repayment in full at maturity. Furthermore, in December a planned divestment did not materialize and this forced the fund to suspend future repayments.



INVESTMENTS OUTSTANDING

Investment Activities

The focus of activity in 2000 was on liquidation of the investment portfolio in order to meet investor repayment requirements during the year.

Divestments during the year totalled $3.9 million (1999 – $7.3 million) and included a significant debt investment of $3 million that was repaid. New investment activity was $1.6 million (1999 – $2.3 million).

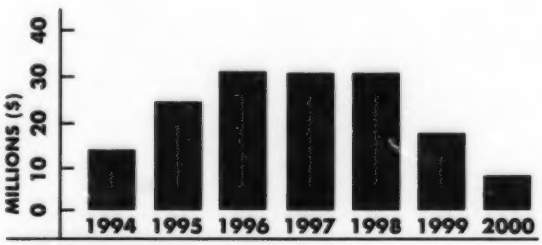
The board of directors of SGGF II approved $1.2 million of investments in 2000 (1999 – $2.3 million). One new investment and two follow-on investments in existing investee companies were undertaken compared to one new and three follow-on investments in 1999.

At December 31, 2000 the total portfolio is $12.6 million made up of $7.5 million of debt and $5.1 million of equity investment for an investment mix of 60% debt and 40% equity. This compares to a mix of 49% debt and 51% equity in 1999.

Investment income in 2000 was $1.4 million, an increase of $700,000 from 1999. The majority of this increase represents gains on the sale of shares in a publicly traded equity investment. Reflecting the conservative accounting policy of SGGF II, income on equity investments is not recognized until it is received and gains on equity investments are only recognized in the Statement of Operations and Deficit when the investment is sold.

In addition to the monthly monitoring of each investment that is carried out, a quarterly portfolio review is performed to identify if there has been impairment in the value of any of the investments. Where impairment is identified, a provision for loss is recorded to recognize the potential for impairment in the carrying value of the investment and any further accrual of income for that investment is discontinued.

During 2000 a total of $5.9 million (1999 – $1.0 million) was taken as a provision for investment losses. This loss provision adjusts impaired investments to their estimated net realizable value and publicly traded shares to the lower of their cost or market value.



OBLIGATIONS TO INVESTORS

Clearwater Forest Products Inc.

Big Sky Farms Inc.

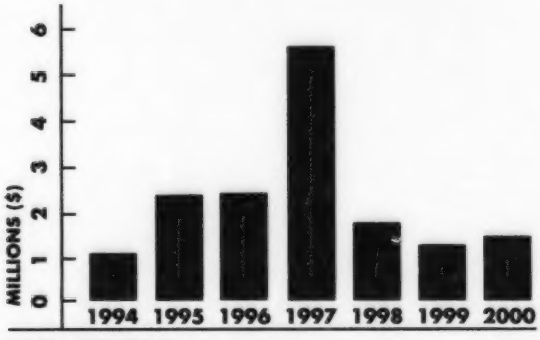
Investor Activities

Investor redemptions at maturity continued through July 2000 with 28 Bonds repaid in full. However, in August it was identified that investment liquidation problems would compel the fund to reduce future repayments to $150,000 at maturity for all remaining Bonds with further amounts to be repaid as investments were liquidated. A total of 12 investors were paid the $150,000 at maturity.

In December, a scheduled liquidation did not materialize and the resulting cash was thus unavailable for continued repayments at the $150,000 level. As a result, SGGF II was left with no choice but to suspend further repayments until alternate sources of cash could be obtained.

Operating Activities

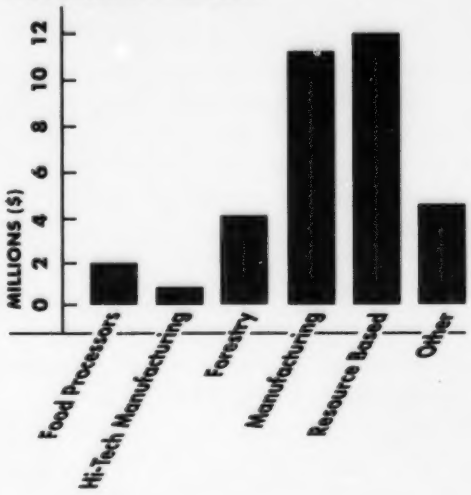
Effective October 1, 2000, the administration and investment advisory services previously provided to SGGF II by SGGF Management Corporation were contracted out to a fund manager. The fund manager is paid a monthly fee for its services and will receive a share of the net profits, if any, of the fund after all liabilities, including investor obligations, of the fund have been paid.



TOTAL REVENUE

In 2000, of the total administration costs, $380,000 represents direct charges for the ongoing administration of the fund and is an increase of $128,000 from 1999 levels. The increase reflects the additional time spent on investment liquidation and investor relation issues in 2000.

DISBURSED BY INDUSTRY



The balance of administration costs, in 2000, is made up of a recovery of fees payable to an external investment advisor under the terms of its investment services agreement. These future fees are payable to the investment advisor upon liquidation of their portfolio under management and upon the achievement of certain performance targets. These fees were recovered due to the poor performance of the related investments. This represents a $420,000 recovery of costs for 2000.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Government Growth Fund II Ltd. have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include some amounts based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

Deloitte & Touche, the corporation's independent auditors, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the Auditors' Report.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all financial information is relevant, reliable and accurate and that all transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and ultimately responsible for reviewing and approving these financial statements.

On behalf of management,

Gary K. Benson
President

Mike Merth, CA, CMA
Crown Capital Partners Inc.

Big Sky Farms Inc.

Upton Resources Inc.

AUDITORS' REPORT

To the Shareholders and Investors of Saskatchewan Government Growth Fund II Ltd.:

We have audited the Statement of Financial Position of Saskatchewan Government Growth Fund II Ltd. as at December 31, 2000, and the Statement of Operations and Deficit and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
February 19, 2001

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund II Ltd.

(Incorporated under The Business Corporations Act of Saskatchewan)
Statement of Financial Position
As at December 31

	2000	1999
Assets		
Cash and cash equivalents	$ 372,778	$ 3,967,458
Short term investment (Note 3)	411,000	-
Funds held in trust (Note 4)	625,000	-
Accounts receivable and accrued interest	28,325	387,861
Investments (Note 5)	6,179,393	14,477,031
Deferred commissions (Note 6)	9,282	165,931
	$ 7,625,778	**$ 18,998,281**
Liabilities and Shareholders' Equity		
Accounts payable and accrued liabilities (Note 7)	$ 1,639,576	$ 2,061,597
Notes payable (Note 8)	2,575,000	-
Commissions payable	24,500	28,000
Deferred revenue	8,071	73,586
Accrued charges payable to investors	205,904	-
Subscription deposits (Note 9)	5,000	5,000
Obligations to investors (Note 10)	8,950,000	17,750,000
	13,408,051	**19,918,183**
Share capital (Note 11)	1,000	1,000
Deficit	(5,783,273)	(920,902)
	(5,782,273)	**(919,902)**
	$ 7,625,778	**$ 18,998,281**

Commitments (Note 16)

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

Upton Resources Inc.

Prairie Sulphate Corporation

Saskatchewan Government Growth Fund II Ltd.

Statement of Operations and Deficit
For the Year Ended December 31

	2000	1999
Revenues		
Income from investments	$ 1,397,228	$ 698,820
Interest from cash and cash equivalents	78,109	608,458
Other income	93,621	27,600
	1,568,958	1,334,878
Provision for investment losses	5,911,336	1,186,580
Allowance for unrealized losses	34,588	(169,540)
	5,945,924	1,017,040
Net revenue	**(4,376,966)**	**317,838**
Expenses		
Administration (Note 13)	(32,147)	252,036
Interest on obligations to investors	243,746	461,549
Amortization of commissions	156,650	324,886
Interest on notes payable	117,156	-
	485,405	**1,038,471**
Net loss	**(4,862,371)**	**(720,633)**
Deficit, beginning of year	(920,902)	(200,269)
Deficit, end of year	**$ (5,783,273)**	**$ (920,902)**

See accompanying notes to financial statements

Saskatchewan Government Growth Fund II Ltd.

Statement of Cash Flows
For the Year Ended December 31

	2000	1999
Cash flows from operating activities		
Net loss	$ (4,862,371)	$ (720,633)
Adjustments:		
Amortization of commissions	156,650	324,886
Provision for investment losses	5,911,336	1,186,580
Allowance for unrealized losses	34,588	(169,540)
Net change in non-cash balances related to operations (Note 14)	(550,596)	(3,669)
Cash flows from operating activities	**689,607**	**617,625**
Cash flows from investing activities		
Disbursements on investments	(1,597,536)	(2,336,417)
Repayments from investments	3,949,249	7,321,632
Purchase of short term investment	411,000	-
Cash flows from investing activities	**1,940,713**	**4,985,215**
Cash flows from financing activities		
Repayment of bond subscriptions	(8,800,000)	(13,250,000)
Proceeds from notes payable	2,575,000	-
Cash flows from financing activities	**(6,225,000)**	**(13,250,000)**
Net decrease in cash and cash equivalents	**(3,594,680)**	**(7,647,160)**
Cash and cash equivalents, beginning of year	3,967,458	11,614,618
Cash and cash equivalents, end of year	**$ 372,778**	**$ 3,967,458**
Interest paid during the year	$ 173,471	$ 461,548

See accompanying notes to financial statements

Big Sky Farms Inc.

Prairie Sulphate Corporation

NOTES TO THE FINANCIAL STATEMENTS

1. Status of the corporation

Saskatchewan Government Growth Fund II Ltd. ("SGGF II") was incorporated in March 1993 under The Business Corporations Act of Saskatchewan and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF II was established to raise $35,000,000 through a bond offering. Each bond is a 2% unsecured subordinated bond at a cost of $250,000. The marketing of SGGF II closed on May 28, 1995.

Under the terms of the Confidential Offering Memorandum ("Memorandum"), SGGF II is required to invest in Saskatchewan based businesses, which have assets, including associated companies, of less than $35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF II or of a return of an investor's original investment and neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the debt instruments.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Investments

Investments include debt and equity investments in private and public companies. Investments, other than publicly traded shares, are carried at cost. Income from equity investments is recognized when received and income from debt investments is recognized as earned. The fair value of investments in private companies is not determinable and therefore has not been disclosed.

Investments in shares having quoted market values, and which are traded on a recognized exchange, are recorded at the lower of cost and average closing market price for the last 20 business days of the year, on an individual basis. Unrealized losses in the value of investments in publicly traded shares are recorded in the Statement of Operations and Deficit, in the allowance for unrealized losses.

Investments are reviewed on a regular basis. Where impairment is identified, the exposure is compared to the estimated net realizable value of the security and, if appropriate, a provision established. An investment is considered impaired when there is no longer reasonable assurance of the timely collection of the full amount of principal and income. Income is not accrued for accounting purposes on impaired investments.

There is a clearly demonstrated intention to dispose of the investments in due course. Accordingly, investee companies over which SGGF II has significant influence are not consolidated.

Deferred commissions

Commissions paid or payable on bonds issued have been capitalized and are amortized over five years from date of bond issuance.

Commissions payable

According to the terms of a marketing agreement entered into by SGGF II, a commission is legally payable to the independent marketing agent selling the bond upon the issuance of the investor's immigrant visa.

Deferred revenue

When past due interest is withheld from or immediately paid by an investee as part of a follow-on investment or protective disbursement, and the investee is classified as impaired, the interest is deferred and recognized as investment income when the investee is able to demonstrate the financial ability to pay its interest obligations.

Obligations to investors

Obligations to investors represent the bonds issued to investors of SGGF II. Interest on bonds is accrued at an annual rate of two percent (2%) from the date of the bond issuance. If sufficient funds exist, interest is paid annually on December 31 and at maturity.

3. Short term investment

Included in short term investment is a term deposit amounting to $411,000 (1999 – Province of Saskatchewan Note – $3,000,000) that carries an interest rate of 5.50% and matures June 19, 2001.

4. Funds held in trust

Included in funds held in trust are monies being held by a third party pending completion of an investment transaction. The transaction was completed in early January 2001 and the funds were released from trust and repaid to SGGF II.

5. Investments

	2000	1999
Debt	$ 7,452,198	$ 9,842,652
Equity	5,107,515	10,137,179
Provision for investment losses	(4,966,858)	(2,923,906)
Allowance for unrealized losses	(1,413,462)	(2,578,894)
	$ 6,179,393	$ 14,477,031

Included in investments are $8,590,759 (1999 – $10,634,934) of impaired investments, net of accumulated provision for losses of $4,966,858 (1999 – $2,923,906), upon which income is not accrued. During the year $5,068,405 (1999 – $nil) of investments and costs have been written off.

Equity investments include publicly traded shares at a cost of $2,502,197 (1999 – $4,139,897), with an aggregate market value of $1,088,735 (1999 – $1,718,065).

During the year, investments decreased as follows:

	2000	1999
Balance, beginning of year	$ 14,477,031	$ 20,479,286
New investments	1,597,536	2,336,417
Repayments	(3,949,249)	(7,321,632)
Investments and costs written off	(5,068,405)	-
Net change in provision for investment losses	(2,042,952)	(1,186,580)
Net change in allowance for unrealized losses	1,165,432	169,540
Balance, end of year	$ 6,179,393	$ 14,477,031

6. Deferred commissions

Deferred commissions have been recorded net of accumulated amortization of $498,218 (1999 – $1,076,569).

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a $1,579,211 (1999 – $1,998,983) provision for future fees payable to an investment advisor under the terms of its investment services agreement with SGGF II. This amount is payable to the investment advisor upon liquidation of their portfolio under management and upon achievement of certain performance targets. A portion of these fees is being held pending resolution of a contingency associated with a divestment. Interest earned on this amount is paid to the investment advisor.

8. Notes payable

Included in notes payable is a $2,000,000 note to Saskatchewan Government Growth Fund Ltd. ("SGGF I") due August 31, 2001 and bearing an interest rate of 10%. Security for the note is an equity investment and associated put option.

Included in notes payable is a $575,000 line of credit with a third party financial institution due January 31, 2001 and bearing an interest rate of 8.50%. Security for the line is shares in a publicly traded equity investment. Subsequent to year-end the line of credit was repaid in full.

9. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon bond issuance.

10. Obligations to investors

Bonds – 2% unsecured subordinated bonds.

The obligation at December 31 is:

	2000	1999
43 bonds (1999 – 71 bonds)	$ 8,950,000	$ 17,750,000

The obligation at December 31, 2000 is comprised of 31 bonds with a face value of $250,000 and 12 bonds with a remaining face value of $100,000.

Liquidity problems experienced in the investment portfolio during the year forced SGGF II to reduce repayments on bonds that matured in September, October and November and suspend repayments on bonds that matured in December. It is not known with certainty when the remaining obligations can be redeemed and if they can be redeemed in full.

Interest due on the remaining obligations has been accrued.

11. Share capital

The authorized common share capital of SGGF II at December 31 is:

Class A common shares – an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares – an unlimited number of non-voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	2000	1999
1,000 Class A common shares	$ 1,000	$ 1,000

12. Financial instruments

SGGF II's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF II's ability to repay its obligations to investors at maturity.

Market Risk

Market risk faced by SCGF II is the risk that the fair value of its investments may decline due to a reduction in the anticipated earnings generated by the business in which SCGF II invests. Some of the companies in which SCGF II invests are dependent upon a single product or industry. SCGF II manages these risks through careful due diligence prior to committing funds to the investment and ensuring that the overall portfolio is properly diversified across various industry sectors.

Credit Risk

Credit risk arises from the potential that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SCGF II restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to similar economic conditions. The ability of such investees to meet contractual obligations would be similarly affected by changing economic, political or other conditions. SCGF II conducts a thorough due diligence process prior to committing to the investment and actively monitors the financial health of its investees on an on-going basis. In addition, some investees operate in and export to other provinces or international markets thereby mitigating this risk.

Interest Rate Risk

Interest rate risk reflects the risk that SCGF II's earnings will decline due to fluctuations in interest rates. SCGF II manages this risk through careful monitoring and matching the duration of its short-term deposits and investments with its obligations to investors.

Liquidity Risk

Liquidity risk is the risk that SCGF II will encounter difficulty in liquidating its investments at an amount close to fair value at the time it is required to redeem its obligations to investors. Due to the nature of some of SCGF II's investments, the timing of cash flows from its investments may not exactly match with the payments owing under SCGF II's obligations to investors. SCGF II carefully monitors the duration of its investments. However, these timing differences may require SCGF II to reduce or delay the payments owing on its obligations to investors at maturity.

Measurement Uncertainty

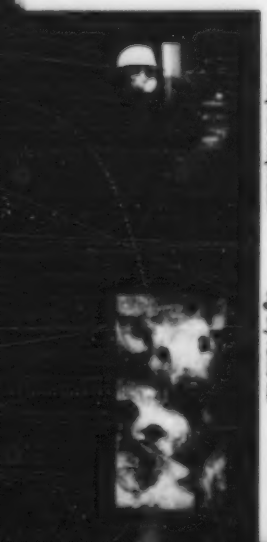
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Deficit in the period in which they become known.

Fair Value – Investments

There is no active secondary market for many of the investments in which SCGF II invests, and the uncertainty and potentially broad range of outcomes pertaining to the future cash flows from these investments renders the calculation of a fair value with appropriate reliability impractical. The factors that impact the fair value are described above.

Fair Value – Obligations to Investors

Obligations to investors represent the capital invested by immigrant investors in SCGF II. In addition to earning a nominal return on their capital, their investment in SCGF II helps satisfy a portion of their visa requirements under the IIP. Each investment in SCGF II is irrevocable, except in the case of a visa refusal, for a minimum period of five years. Therefore, no secondary market for the obligations exists. Due to the unique features associated with obligations to investors, the calculation of a fair value with appropriate reliability is



Prairie Sulphate Corporation

Big Sky Farms Inc.

impractical. The risk factors that impact the fair value of investments, as described above, will also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

13. Administration

Under the terms of a ten year Management Agreement, expiring in 2003, between SGGF II and the Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF II with the assistance of various investment advisors and, beginning October 1, 2000, a fund manager to perform fund administration and due diligence, monitoring and liquidation of investments. SGGF Management Corporation does not guarantee the financial performance of SGGF II. All services provided to SGGF II are charged on a fee for service basis. The breakdown of costs is as follows:

	2000	1999
Investment advisors	$ (411,818)	$ 3,793
Fund manager	101,164	-
Salaries and benefits	133,744	136,870
General administration	55,459	69,026
Directors' fees and expenses	20,469	9,975
Legal and professional	68,835	32,372
	$ (32,147)	$ 252,036

Included in investment advisors is a $419,772 (1999 – $99,121) recovery of future fees payable to an investment advisor under the terms of its investment services agreement with SGGF II. This amount is payable to the investment advisor upon liquidation of their portfolio under management and upon achievement of certain performance targets.

14. Net change in non-cash balances related to operations

	2000	1999
Funds held in trust	$ (625,000)	$ -
Accounts receivable and accrued interest	359,536	100,498
Accounts payable and accrued liabilities	(422,021)	(104,167)
Commissions payable	(3,500)	-
Deferred revenue	(65,515)	-
Accrued charges payable to investors	205,904	-
	$ (550,596)	$ (3,669)

15. Income taxes

Greater than 90% of the issued shares of SGGF II are owned by a provincial Crown corporation. Therefore, SGGF II is income tax exempt.

16. Commitments

The total amount of investments approved but not yet disbursed is $134,443 (1999 – $205,520). As a condition on one of its investments, SGGF II has guaranteed $230,760 (1999 – $271,814) of third party loans to a Saskatchewan business.

17. Related party transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan government controlled departments, agencies and corporations with which SGGF II is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

As stated in Note 8, SGGF II holds a note payable due SGGF I. Total interest paid and payable to SGGF I during the year was $53,005.

As stated in Note 13, SGGF II is under a ten year Management Agreement with SGGF Management Corporation. Total fees paid and payable to SGGF Management Corporation during the year amounted to $387,625 (1999 – $351,155).

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current years' presentation.

Clearwater Forest Products Inc.

Big Sky Farms Inc.

HISTORICAL COMPARISON

Saskatchewan Government Growth Fund II Ltd.

Historical Comparison
(in thousands of dollars)

Financial Position

As at December 31

	2000	1999	1998	1997	1996
Assets					
Cash and cash equivalents	$ 1,409	3,967	11,615	11,880	10,782
Investments	6,179	14,477	20,479	22,429	20,451
Other assets	38	554	979	1,257	2,062
Total assets	$ 7,626	18,998	33,073	35,566	33,295
Liabilities & Equity					
Obligations to investors	$ 9,161	17,755	31,005	31,005	31,255
Other liabilities	4,247	2,163	2,267	2,287	573
Equity	(5,782)	(920)	(199)	2,274	1,467
Total liabilities & equity	$ 7,626	18,998	33,073	35,566	33,295

Operating Results

For the years ended December 31

	2000	1999	1998	1997	1996
Revenues					
Investment income	$ 1,397	699	1,100	5,033	1,479
Interest from cash and cash equivalents	78	608	755	581	859
Other income	94	27	27	58	111
	1,569	1,334	1,882	5,672	2,449
Provision for losses on investments	5,946	1,017	2,863	1,514	(179)
Net revenue	(4,377)	317	(981)	4,158	2,628
Expenses					
Administration	(32)	252	439	2,298	630
Financing	517	786	1,053	1,053	1,069
Total expenses	485	1,038	1,492	3,351	1,699
Net (loss) income	$ (4,862)	(721)	(2,473)	807	929

CORPORATE DATA

Saskatchewan Government Growth Fund II Ltd.
Suite 1800 – 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 787-2994 Fax: (306) 787-2086
Email: sggf@sk.sympatico.ca

Board of Directors

Wilson Olive, Chair
Lawyer
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Gerald Edwards
Retired Businessman
Regina, Saskatchewan

Joanne Forer
Businesswoman
Melfort, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Keith Rissling
Businessman
Saskatoon, Saskatchewan

Grant Scharfstein
Lawyer
Saskatoon, Saskatchewan

Officers

Wilson Olive, Chair
Gary Benson, President

Fund Manager

Crown Capital Partners Inc.
Brian Johnson, Managing Partner
Gary Benson, Partner Responsible for SGGF
Chris Anderson, Partner
Rob Duguid, Partner
Chris Johnson, Partner
Alan Rowe, Partner
Chris Selness, Partner
Stephan von Buttlar, Partner
Mike Merth, CA, CMA, Controller
Nancy Layman, Fund Administrator

Suite 1800 – 1874 Scarth Street
Regina, Saskatchewan, Canada S4P 4B3
Phone: (306) 546-8000 Fax: (306) 546-8009

Auditors

Deloitte & Touche
Chartered Accountants
Suite 1700 – 1874 Scarth Street
Regina, Saskatchewan S4P 4B3

Banker

CUCORP Financial Services
P.O. Box 3030, 2055 Albert Street
Regina, Saskatchewan S4P 3G8

Distribution Agent

Nexus Marketing Corporation
5th Floor, 191 Lombard Avenue
Winnipeg, Manitoba R3B 0X1

Investment Advisors

Crown Life Insurance Company
Suite 1900 – 1874 Scarth Street
Regina, Saskatchewan S4P 4B3

Mr. Roy Lloyd
114 – 801 Heritage Crescent
Saskatoon, Saskatchewan S7H 5R7

Prairie Financial Management
2nd Floor, 1919 Rose Street
Box 202
Regina, Saskatchewan S4P 3A1

Legal Counsel

McDougall Gauley
Suite 700 – 2010 11th Avenue
Regina, Saskatchewan S4P 0J3

Trustee and Transfer Agent

CIBC Mellon Trust Company
One Lombard Place
Suite 750
Winnipeg, Manitoba R3B 0X3

Big Sky Farms Inc.

Upton Resources Inc.

SASKATCHEWAN GOVERNMENT GROWTH FUND II LTD.

Clearwater Forest Products Inc.

Prairie Sulphate Corporation

Upton Resources Inc.

Clearwater Forest Products Inc.

Big Sky Farms Inc.